

## **How Are Entrepreneurs Different?**

Entrepreneurs are not like normal folk

by CARL ROBINSON, Ph.D., Advanced Leadership Consulting

Entrepreneurs are not like normal folk. They often don't fit well into the role of corporate executive - their brashness (arrogance) puts them at odds with others and they chaff under controls, bureaucracy and politics that get in their way. Conversely, most corporate executives are ill suited to be entrepreneurs - they lack the drive, risk tolerance and personal attributes needed to guide a new venture through almost constant adversity. Over the past few years, we saw many executive "dream teams" come out of corporate America and receive lavish amounts of new venture funding specifically because of their corporate experience. Yet many of these executives, and ultimately their companies, failed and in large part because they lacked the "entrepreneurial gene." So the question becomes, how do investors, and aspiring entrepreneurs themselves, predict how well they will do in an entrepreneurial setting?

In recent years behavioral scientists and organizational development specialists have studied the attributes and characteristics that make successful entrepreneurs different from successful corporate executives. One of the leaders in this area is Carl Robinson, Ph.D., a long time member of the NWVG community. Over the past several years he has been collecting data on the personality differences between startup executives and mainstream executives to help quantify the question...are there really any differences and what are the differences? He is currently writing a book on his research aimed to help individuals who want to be entrepreneurs or who are already startup/entrepreneurial executives understand what it takes to survive and be effective in that demanding fast paced business environment. His research findings could also help VCs and executives do a better job of selecting individuals for their companies.

[Interview by Tom Eckmann, Managing Editor of the Venturer Newsletter]

[Venturer]: Carl, can you tell us a little about your research?

[Carl]: Over the past several years I have tested 50+ senior startup executives, most of whom were CEOs, using a very well respected, scientifically validated leadership personality assessment tool, the ASSESS by Bigby/Havis, which was developed from assessing over 35,000 managerial and professional candidates. Using my sample data, the psychologists at Bigby/Havis were able to create a profile (template) that graphically shows what a typical startup executive looks like on 21 different personality factors such as insight, energy level, assertiveness, criticism tolerance and acceptance of control. When one looks at the graphic profile of a startup executive next to a profile of a typical executive, it is clear that startup executives are a different breed.

[Venturer]: Why did you undertake this project?

[Carl]: VCs and executives involved in startups repeatedly say that startup executives are different from mainstream executives. They say this from intuition and gut experience.

My research not only quantifies that intuition but goes much deeper and broader than the few intuitive differences VCs point out.

[Venturer]: Why is this important?

[Carl]: Well, I'm going to step on some toes here, but most VCs and hiring executives happen to be notoriously poor judges of leadership competency. I know this from being called in to help derailing founders, from the feedback of successful startup executives I've interviewed and coached, from HR professionals and from a few very insightful VCs. What I've seen is that VCs and most senior executives have very strong opinions about what are the traits of successful executives but fall down in the discipline of assessing these qualities. VCs, for example, are all too easily bamboozled by the entrepreneurs who make their living presenting compelling pictures...they're great salespeople. And now in this down market, many entrepreneurs are even getting professional training on how to sell themselves even better...the NWVG provides some of that training through the Five Minute Bulletin Boards.

We know that most interviewers make various types of "interview bias errors," without even knowing it. I've learned that few VCs, for example, actually use a structured interview process using behavioral oriented question or do in-depth reference checking. Few know how to ask questions that illicit useful information from executives. They don't know what to ask beyond the skill set questions or simply rely on past behavior and recommendations from others.

Of course the old saw goes that "the best predictor of future behavior is past behavior." Unfortunately, great leadership behavior in a mainstream organization may work in another mainstream business, but not necessarily in a startup. The pressures and tasks are so different. VCs and hiring executives could improve their odds in the selection of executives by gaining a better understanding of the personality underpinnings that influence effective decision-making and leadership.

[Venturer]: You talk a lot about leadership. How does an entrepreneurial leader differ from a mainstream corporate leader?

[Carl]: The research on leadership clearly shows that the personality makeup of an executive greatly influences what, how and when they use a particular leadership tactic. Executives attend workshops or read books to learn about leadership tactics, e.g. reading Shackelton's Way, the leadership lessons of Sir Ernest Shackelton the Antarctic explorer, which is a hot seller right now that illustrates many of Shaketon's methods However, what the books can't help a person do is to control their emotions so that the executive can make an appropriate tactical decision rather than an emotional decision. For example, if you have low frustration tolerance (one personality characteristic we assessed) and the pressure is on to get a product out by the end of the week you might blow up at your subordinates rather than "provide encouragement" - one of Shackelton's ways. You can learn all you want about leadership, but if your head isn't screwed on right, all the good advice goes out the door under pressure. So, discerning, for example, an executive's

frustration tolerance is of obvious importance. Our research provides new, additional, useful information to answer those questions for and about the startup executive.

Take, for example, the thinking style characterized by a deliberate, carefully planned approach to dealing with information and situations, which we call the "serious/restrained" thinking characteristic. Early stage organizations are generally characterized as being nimble and able to adjust quickly to market changes. This requires that their executives trust their gut feelings or intuition more to make faster decisions with less data. Executives in corporate settings tend to be more deliberate and cautious in their decision-making and correspondingly often test having a much higher level of the "serious/restrained" personality characteristic than entrepreneurial executives. Individuals with a high level of the "serious/restrained" personality characteristic simply have a hard time making on-the-fly decisions and may have difficulty thinking "outside-of-the-box."

[Venturer]: Could you talk more about what you mean by interview bias errors?

[Carl]: These are unconscious decisions that people make when interviewing people. We've all heard the saying that we make decisions about people in the first 10 seconds we meet them. This is a form of the "subjective bias error." Another example is the "halo effect," which is one of the most frequent interview errors that VCs make in my opinion. The halo effect is unconsciously thinking someone is well qualified because of things like who they know, who recommends them, if they came from a name brand B-school and if they've been in the press. We are often told by HR professionals that the best candidates come through referrals but that's not necessarily so at the executive level. I know of too many golfing or sailing buddies that were recommended to run companies when more qualified people were available. Of course, the VCs will say they are not so easily influenced. From my conversations with head hunters, executives and my own experiences, VCs rarely employ well developed structured interview processes to guard against these common errors.

[Venturer]: How do testing and your research address the interview bias problem?

[Carl]: Use of leadership personality assessment has been a staple of executive selection and development for a long time. Almost every Fortune 500 Company, for example, uses some type of sophisticated psychological assessment at the executive level because it adds that additional, more objective scientific perspective to the selection and development of executives. Useful data, however, for startup executives has not been available until now. Our research findings now scientifically quantify what was simply opinion and intuition before. And, the results are interesting.

For example, one would intuitively think that executives should be fairly reflective and insightful people and that would help them be more effective. Our research shows that startup executives, as a group, are more reflective than executives in general. So, an aspiring startup executive might want to be sure they develop his or her ability to be more thoughtful and insightful about people and issues if they want to compete well with other startup executives. Similarly, when assessing if an executive from a large mainstream

company would be able to make a good transition to a startup you might want to know if they score as highly on the "reflective/probing scale" as the group of startup executives.

We also found other differences in characteristics such as acceptance of control and need for freedom. Again, you would imagine that startup executives would not function well in work environments that are highly structured and bureaucratic ... a no-brainer. Our research shows how extreme that characteristic really is. Startup executives as a group are significantly more likely to have a very high need for freedom and very low acceptance of control. No wonder they don't work well in mainstream organizations and no wonder it's hard to get them to apply appropriate organizational structures in a timely fashion to their startups. They don't like to be corralled with structure and rules!

Another area is criticism tolerance, which is an extremely important characteristic that impacts interpersonal effectiveness - leadership. Successful startup executives seem to have a higher criticism tolerance. Something they need to withstand the constant door slamming and now more frequently head slamming they receive from VCs, etc. Those are just a few that we have quantified.

[Venturer]: How receptive have VCs and other investors been to your research and findings?

[Carl]: With the high cost of replacing a derailed executive and the real potential of tanking a company through poor executive selection, you would think they would want to bring the same discipline of due diligence to selecting executives as they do to looking at the business plans of companies. Unfortunately, many VCs come out of B schools with no training in interviewing and selection and the rest were executives from hi-tech companies with little if any formal training. In general, most executives rarely receive any formal training in interview processes ... they are too busy running companies and leave that to the HR folks -whom they mostly ignore when it comes to the final decision anyway. Last fall I gave a seminar for VCs and Angel investors titled: Selection by Design, Not by Chemistry - Upgrading the Assessment and Selection of Founders, CEOs and Key Executives for Startups," that 15 VCs and Angels attended. Two years ago when VCs were funding just about anyone and believed they all had the Midas touch, I don't think anyone would have attended.

[Venturer]: How about executives? Given their freewheeling nature and aversion to structure, are they open to the idea of testing?

[Carl]: Well, when I'm wearing my executive coach's hat, this type of information is invaluable in helping an executive zero in on areas that need development. When you use this type of assessment tool with an executive and show him or her how they compare to other executives, it gets their attention real quick. It's extremely helpful, for example, in explaining to them why it might be hard for them to take certain actions that they know they should - based on all those great leadership books. More importantly, by knowing more specifically what might be inhibiting them, you can help them develop new, more effective ways to deal with certain situations. So, for example, if they are low on criticism

tolerance, we can help the executive develop the ability to better accept useful input rather than becoming defensive and dismissive or abusive. Or, for those who want to improve their insightfulness, consulting psychologists have many ways to help people enhance that capability. Performance enhancement is always more effective when you can be specific about what needs to be developed. The knowledge we gain from this type of personality research makes performance enhancement easier and more cost effective.

[Venturer]: A lot of your research focuses on personality traits and strengths of the aspiring entrepreneur. Has any work been done to measure or quantify the role or importance of the entrepreneur's support network of family, friends and others in their success?

[Carl]: In my work with entrepreneurs, I've heard all sorts of stories about how their support networks play out in their successes or failures. Unfortunately it's a hard area to quantify so there isn't much "scientific" research. It's mostly anecdotal. However, having worked with over a hundred early-stage executives it's my experience that there are few that become successful without having very supportive and forgiving loved ones, mentors and friends behind them. The image of the lone ranger, in my opinion, doesn't apply to most successful entrepreneurs.

[Venturer]: Can you give us one of those "top 5 lists" that itemize the leadership personality characteristics a startup executive could develop to become more effective:

[Carl]: I would make the following 5 a top priority for development for any aspiring executive:

Insight about people - people smarts or what Daniel Goleman would call Emotional Intelligence.

Frustration tolerance - the ability to handle frustrations, rejections and pressure with grace.

Criticism tolerance - the ability to receive, assimilate and put to use critical feedback.

Optimism - the deeply held belief in a positive future.

Self-Control - the ability to manage ones emotions under pressure.

[Venturer]: How about a list of characteristics that entrepreneurs need to keep in check?

[Carl]: Some characteristics that startup executives most need to manage or control would be:

Need for freedom and acceptance of control - Startup executives need to corral their intense need for freedom that can cause a resistance to reasonable organizational structure; structures that can create efficiencies.

Need to be liked - All too often entrepreneurs have a difficult time making hard personnel decisions, especially with "loyal buddies," because they have difficulty with people being angry or disappointed with them. Too often loyal buddies are kept on board when they should be replaced. Worrying less about what their "buddies" think of them and learning to be a bit more hard-nosed could help them make those tough personnel decisions.

Realism and pragmatism - Entrepreneurs are dreamers and idea people who often have difficulty bringing something to market because they want to keep making it better. Learning to be more pragmatic and realistic could help them bring products to market quicker and be more prudent with their burn rates.

Self reliance - Entrepreneurs are too often ""John Wayne/Clint Eastwood"" types who have a hard time asking for help in a timely fashion. I've seen too many fired because they tried to bully through problems when asking for help from board members or trusted advisors could have provided timely solutions. Therefore, asking for appropriate help and advice is important.

[Venturer]: Carl, I'd like to thank you for taking time to share your insights with our readers.

*Carl Robinson, Ph.D., provides executive development services specializing in executive coaching, executive team development, board/executive development and management assessments for selection and development of executives. He is a consulting psychologist and a member of the Society of Consulting Psychology of the American Psychological Association. He can be reached at: carl@leadershipconsulting.com or 206.545.1990. ALC's website is [www.leadershipconsulting.com](http://www.leadershipconsulting.com).*